



Pennsylvania Farm Bureau

**Mr. Keith Oellig
Pennsylvania Farm Bureau**

**Testimony before the Resources Subcommittee on Energy and Minerals
United States House of Representatives**

Hearing on Impact of Natural Gas Prices

Thursday, November 17, 2005 2PM

Good afternoon. My name is Keith Oellig and I am a third generation hay and grain producer from Grantville, Pennsylvania. I grow corn, barley, wheat and soybeans on 600 acres of land in Grantville, Pennsylvania. Grantville is located in Dauphin County near Harrisburg, PA in the south-central part of the state. I have been farming for 20 years. Currently, I serve as the President of my County Farm Bureau along with other volunteer commitments.

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to share Pennsylvania Farm Bureau's perspective on the impacts of high natural gas prices. I am speaking today because I purchase fertilizer, which uses natural gas as a base. All of my crops are sold locally in Dauphin County to area businesses. The hay and straw are sold for feed to the horse trainers at Penn National Race Track. My wheat goes into the local flourmill for sale to Hershey Foods to make the Kit-Kat bar. My corn is sold to a local hog producer.

Today I am representing the Pennsylvania Farm Bureau that represents more than 37,000 farm and rural families. The Pennsylvania Farm Bureau is a membership organization, which represents all agricultural commodities. Many Pennsylvania farmers are paying higher expenses for electricity, fertilizers, and farm chemicals. These industries use natural gas to heat their barns. Also vegetable and grain farmers use nitrogen-based fertilizers to fertilize their vegetables, corn, barley, soybeans and wheat.

I am here to today to express agriculture's frustration with high natural gas prices and the need to increase our natural gas supply. Many people use natural gas to generate electricity, which is used to heat our homes and cook our food. I believe most people do not stop to consider the importance of natural gas in our everyday lives. As a grain producer, I think about the ever-escalating costs of natural gas every day. Not only does the increasing cost of fertilizer affect my bottom line, but it also impacts the economy in my local community. Unfortunately, I cannot pass that cost along. Therefore, high fertilizer prices directly affect my operation.

I am very pleased with the recent passage of the comprehensive energy bill. This energy bill will begin to solve our nation's energy woes. However, much more needs to be done to encourage domestic exploration and recovery of natural gas. Congress must act to address our nation's energy needs, especially the challenge farmers face with high fertilizer prices.

For those not involved in agricultural production, allow me to explain how our industry uses natural gas. Natural gas is the fundamental feedstock ingredient for the production of nitrogen fertilizer. Nitrogen fertilizer is produced when air and hydrogen are combined using natural gas as the feedstock. In my own operation I use liquid nitrogen fertilizer, which I spread on my crops.

High natural gas prices come at a time when commodity prices are extremely low. Nitrogen fertilizer costs have skyrocketed in the past five years. Pennsylvania farmers and other farmers across the country have paid record prices for nitrogen fertilizer. Last year I purchased four trailer loads of liquid nitrogen fertilizer for my crops, which equates to about 100 tons of nitrogen. Last year I also paid \$190 per ton, compared to \$105 per ton in 2002. In fact, the fertilizer dealer where I purchase my fertilizer stated that prices for 2006 would be \$205 per ton. That is an increase of \$100 per ton over 2002. Unfortunately, corn prices have not gone up accordingly. In fact, I am receiving the same price per bushel of corn that I received in 1999, yet I am paying 50 percent more for fertilizer. Due to the lower corn price and lower corn yield in 2005, my income was \$215 per acre. My income per acre was \$360 in 2004. Unfortunately, the cost of liquid nitrogen was \$41 in 2005 per acre compared to \$32 per acre in 2004. In other words, I grossed 60 percent less per acre last year, yet paid 35% more for fertilizer.

The Pennsylvania Farm Bureau appreciates the efforts by our U.S. Representatives to open the outer continental shelf for natural gas. The agricultural community is eagerly awaiting a solution to the problem of high prices for energy. I appreciate the opportunity to speak before the committee and I welcome any questions the subcommittee may have.

Table 1.
Prices Paid by Mr. Keith Oellig

YEAR	Corn price	Nitrogen	Urea	Price of
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	paid/bushel	fertilizer prices per ton	fertilizer prices per ton	fertilizer per acre for liquid nitrogen
1999	\$2.15	N/A	N/A	
2000	\$2.20	N/A	N/A	
2001	\$2.30	N/A	\$220	
2002	\$2.85	\$105	\$170	\$21
2003	\$2.60	\$125	\$240	\$25
2004	\$2.40	\$158	\$250	\$32
2005	\$2.15	\$190	\$325	\$38
2006	N/A	\$205	\$360	\$41

* Average corn produced is 125 bushels per acre

* Applies 400 lbs of 30% liquid nitrogen per acre

YEAR	Prices received per bushel	Yield/bushels per acre	Income per acre	Liquid Nitrogen Costs per acre0
2004	\$2.40	150	\$360	\$32
2005	\$2.15	100	\$215	\$41